

ANALYSIS OF AMENDED BILL

Author: Torlakson Analyst: Paul Brainin Bill Number: AB 1265

Related Bills: AB 168 (1998) Telephone: 845-3380 Amended Date: 05-07-98

Attorney: Doug Bramhall Sponsor: _____

SUBJECT: Low-Income Housing Credit Allocation Limitation/Increase to \$50 Million

DEPARTMENT AMENDMENTS ACCEPTED. Amendments reflect suggestions of previous analysis of bill as introduced/amended _____.

AMENDMENTS IMPACT REVENUE. A new revenue estimate is provided.

AMENDMENTS DID NOT RESOLVE THE DEPARTMENT'S CONCERNS stated in the previous analysis of bill as introduced/amended _____.

FURTHER AMENDMENTS NECESSARY.

DEPARTMENT POSITION CHANGED TO _____.

REMAINDER OF PREVIOUS ANALYSIS OF BILL AS INTRODUCED/AMENDED _____ STILL APPLIES.

☒ OTHER - See comments below.

SUMMARY OF BILL

This bill would increase the maximum aggregate low-income housing credit amount that can be allocated annually from \$35 million to \$50 million (plus any previously unallocated amounts) for the 2000 calendar year and each calendar year thereafter.

This bill also would make changes to the Health and Safety Code and Insurance Tax Law that will not be discussed in this analysis since they do not impact this department.

SUMMARY OF AMENDMENT

The May 7, 1998, amendment added the provisions discussed in this analysis.

EFFECTIVE DATE

This bill would be operative for taxable and income years beginning on or after January 1, 1998.

DEPARTMENTS THAT MAY BE AFFECTED:

___ STATE MANDATE

___ GOVERNOR'S APPOINTMENT

Board Position:

___ S ___ O
___ SA ___ OUA
___ N ___ NP
___ NA ___ NAR
___X___ PENDING

Agency Secretary Position:

___ S ___ O
___ SA ___ OUA
___ N ___ NP
___ NA ___ NAR
DEFER TO _____

GOVERNOR'S OFFICE USE

Position Approved ___
Position Disapproved ___
Position Noted ___

Department/Legislative Director Date
Gerald H. Goldberg 5/21/98

Agency Secretary Date

By: Date:

BACKGROUND

AB 168 (Stats. 1998, Ch. 9) increased the maximum aggregate low-income housing credit amount that can be allocated in any one year from \$35 million to \$50 million, but only for calendar years 1998 and 1999. The author's office expressed that the Senate was not ready to accept an indefinite increase as it was proposed in AB 168, amended July 25, 1997. AB 168 was amended to limit the increase to two calendar years and was enacted in March 1998.

SPECIFIC FINDINGS

Existing federal law allows a credit for the costs of constructing or rehabilitating low-income housing. The credit amount varies depending on several factors, including when the housing was placed in service and whether it was federally subsidized. The credit is claimed over ten years. The credit must be allocated by a state authority created to oversee the process.

Existing state law conforms to federal law except that the state credit is claimed over four years, is limited to projects located in California, and the credit amount calculation varies. The Tax Credit Allocation Committee can allocate a maximum of \$50 million for 1998 and 1999, and \$35 million for any following year, plus the unused or returned credit amounts from prior or current years. Listings of qualified taxpayers are provided by that committee to the Franchise Tax Board.

This credit may reduce the regular tax below the tentative minimum tax for purposes of the alternative minimum tax calculation. If the credit exceeds the tax, the excess may be carried over.

This bill would increase the dollar amount that could be allocated for the low-income housing credit to \$50 million, plus any unused or returned credit amounts, starting with the 1998 calendar year and each calendar year thereafter, rather than only for the 1998 and 1999 calendar years. The result would be to increase the dollar amount that could be allocated for the low-income housing credit to \$50 million for the 2000 calendar year and each calendar year thereafter.

Implementation Considerations

Implementation of this bill would not significantly impact the department's programs and operations.

FISCAL IMPACT

Departmental Costs

This bill would not significantly impact the department's costs.

Tax Revenue Estimate

The revenue losses under the B&CTL and PITL are estimated to be as follows:

Estimated Revenue Impact of AB 1265 Assumed Enactment After 6/30/98 (In Millions)						
1999-2000	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
-	-	(Minor)	(\$4)	(\$8)	(\$12)	(\$15)

This estimate does not account for changes in employment, personal income, or gross state product that might result from this measure.

Tax Revenue Discussion

The revenue impact of this bill would depend upon the amount of additional credit allocations for low-income housing by the California Tax Credit Allocation Committee and additional credits used in subsequent years upon completion of projects.

The revenue estimate reflects applied credits in the respective years and was determined in several steps. First, the dollar amount of approved credits was obtained from the California Tax Credit Allocation Committee. According to the Committee, in 1993 and 1994, approved credits amounted to approximately \$35 million annually. Assumptions were made that if the aggregate maximum total amount that can be allocated in any given year were increased from \$35 million to \$50 million, all of the increase would be allocated. Second, the amount of credit applied against tax liability was determined based on information from the California Tax Credit Allocation Committee and actual tax return data for reported low-income housing credits. According to the Committee, the majority of low-income housing credits are allocated in advance of project completion and would most likely not be claimed for tax purposes until the second and third year after the credit is allocated by the Committee.

OPPONENTS/PROPOSERS OF THE LEGISLATION

This bill is supported by the California Rural Legal Assistance Foundation.

BOARD POSITION

Pending.